

**MARICOPA COUNTY MEDICAL CENTER**

**Report on Audit of Financial Statements**

**June 30, 2003**

**MARICOPA INTEGRATED HEALTH SYSTEM**

**MARICOPA COUNTY MEDICAL CENTER**  
**Report on Audit of Financial Statements**  
**June 30, 2003**

<b>Table of Contents</b>	<b>Page</b>
Independent Auditors' Report	1
Statement of Net Assets—Enterprise Fund	2
Statement of Revenues, Expenses, and Changes in Fund Net Assets—Enterprise Fund	4
Statement of Cash Flows—Enterprise Fund	6
Notes to Financial Statements	8



**DEBRA K. DAVENPORT, CPA**  
AUDITOR GENERAL

**STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL**

**WILLIAM THOMSON**  
DEPUTY AUDITOR GENERAL

**Independent Auditors' Report**

Members of the Arizona State Legislature

The Board of Supervisors of  
Maricopa County, Arizona

We have audited the accompanying financial statements of the Maricopa County Medical Center as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the Medical Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Maricopa County Medical Center's financial statements are intended to present the financial position, and changes in financial position and cash flows of only that portion of the business-type activities and major funds of the County that is attributable to the Medical Center Fund. They do not purport to, and do not, present fairly the financial position, and changes in financial position and cash flows of the County in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Maricopa County Medical Center as of June 30, 2003, and the changes in financial position and cash flows of the Medical Center for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 2, the Medical Center increased the capitalization threshold for equipment, which represents a change in the application of an accounting principle.

Debbie Davenport  
Auditor General

October 17, 2003

**MARICOPA COUNTY MEDICAL CENTER**  
**Statement of Net Assets**  
**Enterprise Fund**  
**June 30, 2003**

Assets

Current assets:

Accounts receivable (net of allowance for uncollectibles \$82,357,741)	\$ 50,767,141
Due from other County funds	19,690,377
Due from other governmental units	859,890
Inventory of supplies	6,239,319
Prepaid items	1,391,167
Other	<u>583,137</u>
 Total current assets	 <u>79,531,031</u>

Noncurrent assets:

Restricted cash and investments held by trustee	7,409,965
Capital assets, not being depreciated:	
Land	1,722,193
Construction in progress (estimated cost to complete \$3,523,851)	<u>7,379,859</u>
 Total capital assets, not being depreciated	 <u>9,102,052</u>

Capital assets, being depreciated:

Buildings	101,529,184
Improvements other than buildings	3,688,988
Machinery and equipment	<u>80,490,874</u>
Total capital assets, being depreciated	185,709,046
Accumulated depreciation	<u>(92,395,670)</u>
 Total capital assets, being depreciated, net	 <u>93,313,376</u>

Total noncurrent assets	<u>109,825,393</u>
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Total assets	<u>\$ 189,356,424</u>
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(Continued)

See accompanying notes to financial statements.

**MARICOPA COUNTY MEDICAL CENTER**  
**Statement of Net Assets**  
**Enterprise Fund**  
**June 30, 2003**  
**(Continued)**

Liabilities

Current liabilities:

Vouchers payable	\$ 13,831,938
Employee compensation	7,847,001
Accrued liabilities	5,109,268
Due to other County funds	47,293,880
Due to other governments	3,109,748
Deferred revenue	1,648,327
Accrued interest on short-term borrowings	207,924
Installment purchase agreements, current portion	534,639
Certificates of participation, current portion	809,000
Bonds payable, current portion	2,657,423
Interest payable for long-term debt	<u>759,841</u>

Total current liabilities	<u>83,808,989</u>
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Noncurrent liabilities:

Installment purchase agreements	1,815,885
Certificates of participation	9,968,000
Bonds payable	<u>15,328,821</u>

Total noncurrent liabilities	<u>27,112,706</u>
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Total liabilities	<u>110,921,695</u>
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Net Assets:

Invested in capital assets, net of related debt	71,301,660
Restricted for:	
Debt service	4,226,294
Construction	3,183,671
Unrestricted deficit	<u>(276,896)</u>

Total net assets	<u><u>\$ 78,434,729</u></u>
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See accompanying notes to financial statements.

**MARICOPA COUNTY MEDICAL CENTER**  
**Statement of Revenues, Expenses, and Changes in**  
**Fund Net Assets—Enterprise Fund**  
**Year Ended June 30, 2003**

Operating revenues:	
Patient service revenues	\$ 600,529,375
Deductions from patient service revenues:	
Contractual and administrative adjustments (including \$74,400,760 of Medicare billings in excess of cost reimbursements)	(137,135,910)
Maricopa County Health Plans/Arizona Health Care Cost Containment System contractual adjustments	<u>(156,419,243)</u>
Net patient service revenues	<u>306,974,222</u>
Other operating revenues:	
Disproportionate share settlement	79,355,000
Charges for services	20,094,148
Other	<u>2,131,952</u>
Total other operating revenues	101,581,100
Deductions from other operating revenues:	
Disproportionate share reimbursements	<u>(74,245,200)</u>
Net other operating revenues	<u>27,335,900</u>
Net operating revenues	<u>334,310,122</u>
Operating expenses:	
Daily hospital services	62,966,204
Outpatient nursing services	45,671,409
Special nursing services	20,021,128
Ancillary services	61,108,718
General services	20,161,954
Fiscal services	22,389,412
Administrative services	10,446,850
Medical services administration	19,891,986
Provision for doubtful accounts	56,179,229
Indigent patient direct write-offs	21,386,311
Depreciation	13,888,691
Other	<u>9,556,025</u>
Total operating expenses	<u>363,667,917</u>
Operating loss	(29,357,795)

(Continued)

See accompanying notes to financial statements.

**MARICOPA COUNTY MEDICAL CENTER**  
**Statement of Revenues, Expenses, and Changes in**  
**Fund Net Assets—Enterprise Fund**  
**Year Ended June 30, 2003**  
**(Continued)**

Nonoperating revenues (expenses):	
Grant revenue	\$ 5,688,257
Interest income	36,355
Interest expense	<u>(2,757,366)</u>
Net nonoperating revenues	2,967,246
Loss before transfers	(26,390,549)
Transfers from other County funds	36,040,262
Transfers to other County funds	<u>(759,693)</u>
Increase in net assets	8,890,020
Total net assets, July 1, 2002, restated	<u>69,544,709</u>
Total net assets, June 30, 2003	<u><u>\$ 78,434,729</u></u>

See accompanying notes to financial statements.

**MARICOPA COUNTY MEDICAL CENTER**  
**Statement of Cash Flows—Enterprise Fund**  
**Year Ended June 30, 2003**

Cash flows from operating activities:

Cash receipts from:

Contractors, patients and other payors	\$ 251,611,605
Disproportionate share settlement	79,355,000

Cash payments to:

Contractors for health care services	(46,135,902)
Suppliers for goods and services	(58,826,177)
Employees for services	(155,450,963)
Disproportionate share reimbursements	<u>(74,245,200)</u>

Net cash used for operating activities	<u>(3,691,637)</u>
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Cash flows from noncapital financing activities:

Loan from County General Fund	47,285,472
Grant receipts	6,828,859
Cash transfers from other County Funds	18,546,823
Cash transfers to other County Funds	(759,693)
Interest payments	(1,485,221)
Loan payments to County General Fund	<u>(57,502,195)</u>

Net cash provided by noncapital financing activities	<u>12,914,045</u>
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Cash flows from capital and related financing activities:

Acquisition of capital assets	(5,496,546)
Certificates of participation payments	(769,000)
Installment purchase contract payments	(493,433)
Interest payments for long-term debt	<u>(879,853)</u>

Net cash used for capital and related financing activities	<u>(7,638,832)</u>
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Cash flows from investing activities:

Interest receipts	<u>36,355</u>
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Net cash provided by investing activities	<u>36,355</u>
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Net increase in cash and cash equivalents	1,619,931
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Cash and cash equivalents, July 1, 2002	<u>5,790,034</u>
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Cash and cash equivalents, June 30, 2003	<u><u>\$ 7,409,965</u></u>
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See accompanying notes to financial statements.

**MARICOPA COUNTY MEDICAL CENTER**  
**Statement of Cash Flows—Enterprise Fund**  
**Year Ended June 30, 2003**  
**(Continued)**

Operating loss	\$ (29,357,795)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	13,888,691
Provision for doubtful accounts	56,179,229
Indigent patient direct write-offs	21,386,311
Net changes in assets and liabilities:	
Accounts receivable	(78,106,021)
Due from other County funds	517,304
Inventory of supplies	197,602
Prepaid items	1,773,366
Other assets	183,708
Vouchers payable	1,369,352
Employee compensation liability	1,005,815
Accrued liabilities	4,936,390
Due to other County funds	(289)
Due to other governmental units	2,334,700
	<hr/>
Net cash used for operating activities	<u>\$ (3,691,637)</u>

The following noncash transactions occurred during the year ended June 30, 2003

Allowance for uncollectible accounts	\$ 52,288,299
Accounts receivable write-offs	\$ (52,288,299)
Buildings constructed	\$ 18,979,312
Improvements other than buildings	\$ 141,823
Construction in progress completed	\$ (19,121,135)
Buildings acquired	\$ 28,613
Machinery and equipment acquired	\$ 873,657
Vouchers payable	\$ (666,128)
Installment purchase contracts payable	\$ (236,142)
Due from other County Funds for subsidies to be received	\$ 19,352,062
Transfers from other County Funds	\$ (19,352,062)

See accompanying notes to financial statements.

**MARICOPA COUNTY MEDICAL CENTER**  
**Notes to Financial Statements**  
**June 30, 2003**

**Note 1 - Summary of Significant Accounting Policies**

The financial statements of the Maricopa County Medical Center have been prepared in a format that complies with the Health Care Organizations Audit and Accounting Guide of the American Institute of Certified Public Accountants and the regulatory reporting requirements of the State of Arizona. The accounting policies of the Medical Center conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Medical Center's more significant accounting policies follows.

**A. Reporting Entity**

The Medical Center is accounted for as an enterprise fund of Maricopa County, Arizona, under the direction of an administrator contracted by the County Board of Supervisors. However, ultimate fiscal responsibility for the Medical Center remains with the County. The Medical Center provides both inpatient and outpatient medical and nursing services to the general public, indigent patients of the County, and eligible enrollees of the Arizona Health Care Cost Containment System (AHCCCS).

**B. Fund Accounting**

The Medical Center's accounts are maintained in accordance with the principles of fund accounting to ensure that limitations and restrictions on the Medical Center's available resources are observed. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds in accordance with the activities or objectives specified for those resources. Each fund is considered a separate accounting entity, and its operations are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenses.

The Medical Center's financial transactions are recorded and reported as an enterprise fund since its operations are financed and operated in a manner similar to private business enterprises, in which the intent of the County Board of Supervisors is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**C. Basis of Presentation and Accounting**

The financial statements include a statement of net assets; a statement of revenues, expenses, and changes in net assets; and a statement of cash flows.

A statement of net assets provides information about the assets, liabilities, and net assets of the Medical Center at the end of the year. Assets and liabilities are classified as either current or noncurrent. Net assets are classified according to external donor restrictions or availability of assets to satisfy the Medical Center's

**MARICOPA COUNTY MEDICAL CENTER**  
**Notes to Financial Statements**  
**June 30, 2003**

obligations. Invested in capital assets net of related debt represents the value of capital assets, net of accumulated depreciation less any outstanding debt incurred to acquire or construct the assets. Restricted net assets represent monies held in the trustee accounts for future debt service payments and certificates of participation proceeds to be used for construction. Unrestricted net assets include all other net assets, including those that have been designated by management to be used for other than general operating purposes.

A statement of revenues, expenses, and changes in net assets provides information about the Medical Center's financial activities during the year. Revenues and expenses are classified as either operating or nonoperating, and all changes in assets are reported, including grants and transfers. Generally, patient service revenues and charges for services are considered to be operating revenues. Other revenues used for medical services, such as grants and investment income, are not generated from operations and are considered to be nonoperating revenues.

A statement of cash flows provides information about the Medical Center's sources and uses of cash and cash equivalents during the year. Increases and decreases in cash and cash equivalents are classified as either operating, noncapital financing, capital financing, or investing.

The financial statements are presented on the accrual basis of accounting using the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The Medical Center applies only those applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**D. Cash and Investments**

For purposes of its statement of cash flows, the Medical Center considers only those highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All investments are stated at fair value.

**E. Accounts Receivable**

Accounts receivable are due from a variety of self-pay, third-party, AHCCCS, and Medicare patients. The allowance for uncollectible accounts is based upon management's evaluation of the collectibility of the accounts.

**F. Inventory of Supplies**

Inventories are recorded as assets when purchased and expensed when consumed. These inventories are stated at cost using the first-in, first-out method.

**MARICOPA COUNTY MEDICAL CENTER**  
**Notes to Financial Statements**  
**June 30, 2003**

**G. Capital Assets**

Purchased property, plant, and equipment are capitalized at actual cost. Major outlays for assets or improvements to them are capitalized as projects are constructed. Interest incurred during the construction phase of the project is capitalized net of interest earned on the invested proceeds over the same period. Depreciation of property, plant, and equipment is charged as an expense against operations. These assets are depreciated over their estimated useful lives using the straight-line method. The capitalization threshold is \$5,000 or more for all capital purchases. The estimated useful lives are as follows:

Buildings	10 to 50 years
Improvements other than buildings	10 to 50 years
Machinery and equipment	3 to 10 years

**H. Employee Compensation Payable**

Employee Compensation payable consists of payroll related costs incurred but not paid at June 30, and personal leave earned by employees based on services already rendered. Employees may accumulate up to 240 hours of personal leave depending on years of service, but any personal leave hours in excess of the maximum amount that are unused by the calendar year-end are converted to family medical leave (FML). Generally, FML benefits are used by employees for FML qualifying events and are cumulative but do not vest with employees and therefore, are not accrued. However, upon retirement, employees with accumulated FML in excess of 1,000 hours are entitled to a \$3,000 bonus. The total amount of such bonuses is immaterial and therefore it is not reported in the employee compensation payable.

**I. Patient Service Revenues**

Patient service revenues, including services provided to indigent patients of the County, are recorded at established rates regardless of whether collection in full is expected. Contractual and administrative adjustments and uncollectible accounts are recorded as deductions from patient service revenues.

The Medical Center provides services to patients under a contractual agreement with the Medicare program. Amounts received from Medicare are determined based upon a mix of prospectively determined payments and reimbursement of allowable expenses for patient service costs, capital costs, and medical education costs.

The Medical Center also provides services to patients under agreements with AHCCCS, County Health Plans, and various County departments. The most significant of these agreements are with the Maricopa County Health Plan (MCHP) and Arizona Long-Term Care System (ALTCS) Health Plan. Payments for services under these agreements are based on discounted amounts from established rates.

**MARICOPA COUNTY MEDICAL CENTER**  
**Notes to Financial Statements**  
**June 30, 2003**

**J. Grant Revenues**

Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Reimbursement grants are recorded as intergovernmental receivables and revenues when the related expenses are incurred.

**K. Charity Care**

Since the Medical Center is owned and operated by the County, it is prohibited by Arizona Revised Statutes from providing care to patients without charging them for such services. Accordingly, there is no charity care recognized for the year ended June 30, 2003. However, the Medical Center, as a provider of care to indigent as well as nonindigent patients, does provide care to patients who may not have the ability to pay. Consequently, the charges (i.e., revenues) for the unreimbursed care provided to these patients are offset by increasing the allowance for uncollectibles.

**Note 2 - Accounting Change**

Effective July 1, 2002, the Medical Center increased its capitalization threshold for capital purchases from \$1,000 to \$5,000. The change in capitalization threshold was adopted by the Medical Center in order to be consistent with the County. As a result, the beginning net assets balance was restated as follows:

Net assets, June 30, 2002 as previously stated	\$71,855,090
Cumulative effect of change in capitalization threshold	<u>(2,310,381)</u>
Net assets as of July 1, 2002, as restated	<u><u>\$69,544,709</u></u>

**Note 3 - Restricted Cash and Investments Held by Trustee**

Cash and investments held by trustee consist of government security mutual funds that are recorded by the trustee in the County's name. The trustee acts as both custodian and purchasing agent for these investment transactions. These monies are externally restricted for the construction of a clinic, to make renovations at the Medical Center, and for debt service payments.

**MARICOPA COUNTY MEDICAL CENTER**  
**Notes to Financial Statements**  
**June 30, 2003**

**Note 4 - Capital Assets**

Capital asset activity for the year ended June 30, 2003, was as follows:

	Balance July 1, 2002 As restated	Increases	Decreases	Balance June 30, 2003
Capital assets, not being depreciated:				
Land	\$ 1,722,193			\$ 1,722,193
Construction in Progress	<u>25,650,364</u>	<u>\$ 850,630</u>	<u>\$(19,121,135)</u>	<u>7,379,859</u>
Total capital assets, not being depreciated	<u>27,372,557</u>	<u>850,630</u>	<u>(19,121,135)</u>	<u>9,102,052</u>
Capital assets, being depreciated:				
Buildings	82,419,586	19,109,598		101,529,184
Improvements other than buildings	3,547,165	141,823		3,688,988
Machinery and equipment	<u>75,998,906</u>	<u>4,491,968</u>		<u>80,490,874</u>
Total capital assets, being depreciated	<u>161,965,657</u>	<u>23,743,389</u>		<u>185,709,046</u>
Less accumulated depreciation for:				
Buildings	(36,670,804)	(3,466,209)		(40,137,013)
Improvements other than buildings	(1,804,165)	(264,396)		(2,068,561)
Machinery and equipment	<u>(40,032,010)</u>	<u>(10,158,086)</u>		<u>(50,190,096)</u>
Total accumulated depreciation	<u>(78,506,979)</u>	<u>(13,888,691)</u>		<u>(92,395,670)</u>
Total capital assets, being depreciated, net	<u>83,458,678</u>	<u>9,854,698</u>		<u>93,313,376</u>
Total capital assets, net	<u>\$110,831,235</u>	<u>\$10,705,328</u>	<u>\$(19,121,135)</u>	<u>\$102,415,428</u>

**Note 5 - Due To Other County Funds**

Due to other County funds consists of \$47,285,472 due to the County General Fund for advances received to temporarily eliminate cash overdrafts in the Medical Center Fund and \$8,408 due to other County Funds for goods and services received.

**Note 6 - Installment Purchase Contracts Payable**

Installment purchase contracts payable consist of agreements for the acquisition of CAT Scan, MRI and cardiac ultrasound equipment at a total purchase price of

**MARICOPA COUNTY MEDICAL CENTER**  
**Notes to Financial Statements**  
**June 30, 2003**

\$3,514,605.

The future minimum payments required under the contracts at June 30, 2003, including interest varying from 4.5 to 5.82 percent, are as follows:

Year ending June 30,

2004	\$ 600,641
2005	638,026
2006	575,986
2007	555,306
2008	<u>241,739</u>
Total minimum payments	2,611,698
Less amount representing interest	<u>261,174</u>
Present value of net minimum lease payments	<u><u>\$2,350,524</u></u>

**Note 7 - Certificates of Participation Payable**

During the year ended June 30, 2000, the Medical Center issued \$5,300,000 in certificates of participation with interest rates of 5.5 to 6.0 percent to construct a clinic and make renovations at the Medical Center. The certificates are generally noncallable, with interest payable semiannually.

During the year ended June 30, 2001, the Medical Center issued \$6,975,000 in certificates of participation with interest rates of 4.5 to 5.5 percent to purchase and renovate a hospital and medical office complex. The certificates are generally callable after July 1, 2010, with interest payable semiannually.

Principal and interest requirements at June 30, 2003, were as follows:

Description	Interest Rates	Maturities	Outstanding Principal
Certificates of Participation 2000	5.7-6.0%	7/1/03-7/1/10	\$4,567,000
Certificates of Participation 2001	4.6-5.5%	7/1/03-7/1/15	\$6,210,000

Certificates of participation debt service requirements to maturity, including \$3,494,104 of interest, are as follows:

Year ending June 30,

2004	\$ 1,371,099
2005	1,373,921
2006	1,374,781
2007	1,370,631
2008	1,369,452
2009-2013	5,427,885

**MARICOPA COUNTY MEDICAL CENTER**  
**Notes to Financial Statements**  
**June 30, 2003**

2014-2016	<u>1,983,335</u>
Total	<u>\$14,271,104</u>

**Note 8 - Bonds Payable**

During the year ended June 30, 2001, the County issued \$124,855,000 in lease revenue bonds with interest rates of 3.45 to 5.5 percent. Of the proceeds received, the County allocated \$20,500,000 to the County Medical Center to construct a comprehensive health clinic. The bonds are generally callable after July 1, 2012, with interest payable semiannually.

Principal and interest requirements at June 30, 2003, were as follows:

Description	Interest Rates	Maturities	Outstanding Principal
Lease Revenue Bonds Series 2001	3.45-5.5%	7/1/03-7/1/15	\$17,986,244

Lease revenue bond debt service requirements to maturity, including \$6,320,258 of interest, are as follows:

Year ending June 30,

2004	\$ 3,527,219
2005	1,730,183
2006	1,730,216
2007	1,731,419
2008	1,739,515
2009-2013	8,658,084
2014-2016	<u>5,189,866</u>
Total	<u>\$24,306,502</u>

**Note 9 - Long-Term Liabilities**

Long-term liability activity for the year-ended June 30, 2003, was as follows:

	Balance July 1, 2002	Additions	Reductions	Balance June 30, 2003	Due within one year
Installment purchase contracts payable	\$ 2,607,815	\$236,142	\$ (493,433)	\$ 2,350,524	\$ 534,639
Certificate of participation payable	11,546,000		(769,000)	10,777,000	809,000
Bonds payable	<u>17,986,244</u>			<u>17,986,244</u>	<u>2,657,423</u>
Total Long-Term Liabilities	<u>\$32,140,059</u>	<u>\$236,142</u>	<u>\$(1,262,433)</u>	<u>\$31,113,768</u>	<u>\$4,001,063</u>

**MARICOPA COUNTY MEDICAL CENTER**  
**Notes to Financial Statements**  
**June 30, 2003**

**Note 10 - Unrestricted Net Assets Deficit**

The unrestricted net assets deficit totaling \$276,896 at June 30, 2003, resulted from normal operations of the Medical Center over a period of several years. The deficit can be permanently corrected through profitable operations or by transfers from the County. During the year ended June 30, 2003, the Medical Center received \$36,040,262 of subsidies from the County General Fund. Of this amount, \$19,352,062 will be received in the following fiscal year. Therefore, it is recorded in the due from other County funds.

**Note 11 - Disproportionate Share Settlement**

Section 1923 of the Social Security Act establishes federal requirements designed to aid entities that provide medical services to a disproportionate share of medically indigent patients. These requirements were met for the year ended June 30, 2003, through disproportionate share settlements established by Laws 2003, First Special Session, Chapter 1. AHCCCS was directed to distribute such settlements based on various qualifying criteria and allocation processes. Laws 2003 appropriated disproportionate share settlement amounts to be distributed to the hospitals for the year ended June 30, 2003. The Medical Center's share of the settlement for the year ended June 30, 2003, totaled \$79,355,000. However, Laws 2002, Second Regular Session, Chapter 329, also mandated the reimbursement of \$74,245,200 through the State Treasurer to the State General Fund.

**Note 12 - Related Party Transactions**

During the year ended June 30, 2003, patient service revenues and charges for services included \$36,496,243 and \$28,663,283 received from the County MCHP and ALTCS Funds, respectively. In addition, transfers of \$36,040,262 in subsidies were received from the County General Fund.

**Note 13 - Risk Management**

The Medical Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; medical malpractice; and natural disasters. The Medical Center is a participant in Maricopa County's self-insurance program, and in the opinion of the Medical Center's management, any unfavorable outcomes from these risks would be covered by that self-insurance program. Accordingly, the Medical Center has no risk of loss beyond adjustments to future years' premium payments to Maricopa County's self-insurance program. All estimated losses for unsettled claims and actions of Maricopa County are determined on an actuarial basis and are included in the *Maricopa County Comprehensive Annual Financial Report*.

**MARICOPA COUNTY MEDICAL CENTER**  
**Notes to Financial Statements**  
**June 30, 2003**

**Note 14 - Subsequent Event**

The Arizona State Legislature passed House Bill 2530 during the year ended June 30, 2003, to allow Maricopa County to ask its voters to decide whether to create a special health care taxing district to operate the Maricopa Integrated Health System (MIHS). If the district is created, it will have the authority to levy taxes and an independent governing board will control its operations. Since the Medical Center is part of MIHS, the results of the November 2003 election could significantly affect future Medical Center Operations.

**Note 15 - Retirement Plan**

**Plan Description** – The Medical Center contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The System is governed by the Arizona State Retirement System Board according to the provisions of Arizona Revised Statutes Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the Arizona State Retirement System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

**Funding Policy** – The Arizona State Legislature establishes and may amend active plan members' and the Medical Center's contribution rate. For the year ended June 30, 2003, active plan members and the Medical Center were each required by statute to contribute at the actuarially determined rate of 2.49 percent (2.00 percent retirement and 0.49 percent long-term disability) of the members' annual covered payroll. The Medical Center's contributions to the System for the years ended June 30, 2003, 2002, and 2001 were \$3,771,167 \$2,629,401, and \$2,321,225, respectively, which were equal to the required contributions for the year.